

CITY OF GUTTENBERG

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2007

Table of Contents

| | <u>Page</u> |
|--|-----------------|
| Officials | 3 |
| Independent Auditor's Report | 4-5 |
| Management's Discussion and Analysis | 6-12 |
| Basic Financial Statements: | <u>Exhibit</u> |
| Government-wide Financial Statement: | |
| Statement of Activities and Net Assets-Cash Basis | A |
| Governmental Fund Financial Statement: | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | B 15 |
| Proprietary Fund Financial Statement: | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | C 16 |
| Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets | D 17 |
| Notes to Financial Statements | 18-28 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis)-All Governmental Funds and Proprietary Funds | 30 |
| Notes to Required Supplementary Information-Budgetary Reporting | 31 |
| Other Supplementary Information: | <u>Schedule</u> |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds | 1 33 |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Proprietary Funds | 2 34 |
| Schedule of Indebtedness | 3 35 |
| Bond and Note Maturities | 4 36 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards.</u> | 37-39 |
| Schedule of Findings | 40-41 |

CITY OF GUTTENBERG

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|----------------------------------|-----------------------|
| James Solomon | Mayor | Jan 2010 |
| J.J. Rochford | Mayor Pro tem | Jan 2010 |
| Rex Svoboda | Council Member | Jan 2008 |
| William Wolfe | Council Member | Jan 2008 |
| James Kolker | Council Member | Jan 2010 |
| David Schlueter | Council Member | Jan 2010 |
| Thomas J. Blake | Manager/City Clerk/Treasurer | Resigned Mar 10, 2007 |
| Julie Zittergruen | Acting City Manager/Deputy Clerk | Indefinite |
| Michael Schuster | Attorney | Indefinite |

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Guttenberg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guttenberg Municipal Hospital, which represent 96 percent, 81 percent and 80 percent, respectively of the cash basis net assets, receipts and disbursements of the business type activities. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Guttenberg Municipal Hospital, are based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2006.


In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2006, as discussed in the preceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and the aggregate remaining fund information of the City of Guttenberg as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2007 on our consideration of the City of Guttenberg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 30 and 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guttenberg's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the cash balances at July 1, 2006, as it related to Schedules 1 and 2, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 28, 2007
Elkader, Iowa


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392



City of Guttenberg

502 South First Street
P.O. Box 580
Guttenberg, Iowa 52052-0580

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Guttenberg provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available. Again keep in mind that any information presented for the fiscal year ended June 30, 2006 has not been audited.

2007 FINANCIAL HIGHLIGHTS

The cash basis net assets for the City's governmental funds increased 6.6%, primarily due to an increase in property tax collections of over \$ 50,000.

The cash basis net assets for the City's business type activities increased 10.5%, primarily due to the increase in the Hospital's receipts. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the hospital, the electric utility, the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Revolving Loan and Road Use Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the hospital, water, sewer and electric funds. The hospital and electric funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's enterprise funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follows the fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$ 693,623 to \$ 739,722. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|--------------|
| | <u>2007</u> | <u>2006</u> |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ 394 | 346 |
| Operating grants, contributions and restricted interest | 241 | 606 |
| General receipts: | | |
| Property tax and tax increment financing | 907 | 877 |
| Local option sales tax | 155 | 140 |
| Unrestricted interest on investments | 4 | 34 |
| Note proceeds | 213 | 599 |
| Other general receipts | 49 | 16 |
| Total receipts | <u>1,963</u> | <u>2,618</u> |
| Disbursements: | | |
| Public safety | 592 | 708 |
| Public works | 405 | 843 |
| Health and social services | 6 | 6 |
| Culture and recreation | 419 | 653 |
| Community and economic development | 22 | 215 |
| General government | 357 | 206 |
| Debt service | 285 | 170 |
| Total disbursements | <u>2,086</u> | <u>2,801</u> |
| Change in cash basis net assets before transfers | (123) | (183) |
| Transfers, net | <u>169</u> | <u>158</u> |
| Change in cash basis net assets | 46 | (25) |
| Cash basis net assets beginning of year | <u>694</u> | <u>719</u> |
| Cash basis net assets end of year | <u>\$ 740</u> | <u>694</u> |

The cash basis net assets for the City's governmental funds increased primarily due to an increase in property tax collections.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

| | Year Ended June 30, | |
|---|---------------------|--------------|
| | 2007 | 2006 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Guttenberg Municipal Hospital | \$ 7,217 | 5,772 |
| Electric | 1,315 | 1,139 |
| Water | 220 | 631 |
| Sewer | 170 | 172 |
| Grants, contributions and restricted interest | 35 | 15 |
| General receipts: | | |
| Unrestricted interest on investments | 103 | 54 |
| Other general receipts | 4 | - |
| Total receipts | <u>9,064</u> | <u>7,783</u> |
| Disbursements: | | |
| Guttenberg Municipal Hospital | 6,870 | 6,243 |
| Electric | 1,403 | 1,166 |
| Water | 157 | 699 |
| Sewer | 164 | 219 |
| Total disbursements | <u>8,594</u> | <u>8,327</u> |
| Change in cash basis assets before transfers | 470 | (544) |
| Transfers, net | <u>(169)</u> | <u>(158)</u> |
| Change in cash basis net assets | 301 | (702) |
| Cash basis net assets beginning of year | <u>2,871</u> | <u>3,573</u> |
| Cash basis net assets end of year | <u>\$ 3,172</u> | <u>2,871</u> |

The cash basis net assets for the City's business type activities increased primarily due to the increase in the Hospital's operating receipts. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Guttenberg completed the year, its governmental funds

reported a combined fund balance of \$ 739,722, an increase of \$ 46,099 above last year's total of \$ 693,623. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 16,656 from the prior year to \$ 100,988.

The Revolving Fund cash balance increased by \$ 32,586 to \$ 281,993 during the fiscal year. This increase was attributable to the receipt of loan repayments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Hospital Fund cash balance increased by \$ 477,664 to \$ 3,054,414. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.

The Electric Fund cash balance decreased by \$ 175,632 to \$ (94,427), due primarily to funding internal loans for city capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 29, 2007 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$ 1,742,541 in notes and other long-term debt, compared to \$ 1,728,894 last year, as shown below.

| Outstanding Debt at Year-End (Expressed in Thousands) | | |
|--|-----------------|--------------|
| | June 30, | |
| | 2007 | 2006 |
| General obligation notes | \$ 1,559 | 1,729 |
| Loan anticipation note | 184 | 0 |
| Total | <u>\$ 1,743</u> | <u>1,729</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 1,742,541 is significantly below its constitutional debt limit of nearly \$ 5,000,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Guttenberg's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could affect its financial health in the future.

Taxable valuations increased by over \$ 270,000 and budgeted property levies will increase by approximately \$ 6,400 with no increase in tax rates.

The development of a downtown marina is expected to help keep our commercial downtown viable in the long term.

Rate increases will help keep the water and sewer utilities viable and will allow investments into system reliability. Utility fees are budgeted to increase by over \$ 200,000 in the 2008 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barry Dykhuizan, City Manager, 101 Main Street, Guttenberg, Iowa 52052.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF GUTTENBERG
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2007

| Functions/Programs: | Disbursements | Program Receipts | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|---------------|---------------------|---|---|--------------------------|----------------|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Governmental activities: | | | | | | |
| Public safety | \$ 591,853 | 58,413 | 847 | (532,593) | 0 | (532,593) |
| Public works | 405,410 | 175,361 | 165,606 | (64,443) | 0 | (64,443) |
| Health and social services | 5,928 | 0 | 47 | (5,881) | 0 | (5,881) |
| Culture and recreation | 418,795 | 118,050 | 69,407 | (231,338) | 0 | (231,338) |
| Community and economic development | 22,139 | 3,108 | 3,300 | (15,731) | 0 | (15,731) |
| General government | 357,069 | 39,230 | 1,770 | (316,069) | 0 | (316,069) |
| Debt service | 284,636 | 0 | 0 | (284,636) | 0 | (284,636) |
| Total governmental activities | 2,085,830 | 394,162 | 240,977 | (1,450,691) | 0 | (1,450,691) |
| Business type activities: | | | | | | |
| Guttenberg Municipal Hospital | 6,869,589 | 7,217,349 | 34,646 | 0 | 382,406 | 382,406 |
| Electric | 1,402,990 | 1,314,380 | 0 | 0 | (88,600) | (88,600) |
| Water | 156,814 | 220,328 | 0 | 0 | 63,514 | 63,514 |
| Sewer | 164,015 | 169,745 | 0 | 0 | 5,730 | 5,730 |
| Total business type activities | 8,593,408 | 8,921,812 | 34,646 | 0 | 363,050 | 363,050 |
| Total | \$ 10,679,238 | \$ 9,315,974 | \$ 275,623 | \$ (1,450,691) | \$ 363,050 | \$ (1,087,641) |
| General Receipts: | | | | | | |
| Property and other city tax levied for: | | | | | | |
| General purposes | | | | 768,720 | 0 | 768,720 |
| Tax increment financing | | | | 73,141 | 0 | 73,141 |
| Debt service | | | | 65,355 | 0 | 65,355 |
| Local option sales tax | | | | 139,872 | 0 | 139,872 |
| Hotel/motel tax | | | | 14,907 | 0 | 14,907 |
| Unrestricted interest on investments | | | | 3,373 | 103,101 | 106,474 |
| Note proceeds | | | | 213,358 | 0 | 213,358 |
| Miscellaneous | | | | 48,834 | 4,258 | 53,092 |
| Transfers | | | | 169,230 | (169,230) | 0 |
| Total general receipts and transfers | | | | 1,496,790 | (61,871) | 1,434,919 |
| Change in cash basis net assets | | | | 46,099 | 301,179 | 347,278 |
| Cash basis net assets beginning of year | | | | 693,623 | 2,870,377 | 3,564,000 |
| Cash basis net assets end of year | | | | \$ 739,722 | \$ 3,171,556 | \$ 3,911,278 |
| Cash Basis Net Assets | | | | | | |
| Restricted: | | | | | | |
| Debt service | | | | \$ 40,514 | 946,255 | 986,769 |
| Economic development | | | | 281,993 | 0 | 281,993 |
| Cemetery Perpetual care | | | | 79,949 | 0 | 79,949 |
| Other | | | | 236,278 | 10,370 | 246,648 |
| Unrestricted | | | | 100,988 | 2,214,931 | 2,315,919 |
| Total cash basis net assets | | | | \$ 739,722 | \$ 3,171,556 | \$ 3,911,278 |

See notes to financial statements.

CITY OF GUTTENBERG
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2007

| | General | Special Revenue Revolving Loan | Nonmajor | Total |
|--|------------|---|-----------|-----------|
| Receipts: | | | | |
| Property tax | \$ 529,643 | 0 | 281,145 | 810,788 |
| Tax increment financing | 0 | 0 | 73,141 | 73,141 |
| Other city tax | 33,690 | 0 | 144,377 | 178,067 |
| Licenses and permits | 8,443 | 0 | 0 | 8,443 |
| Use of money and property | 31,878 | 3,300 | 1,922 | 37,100 |
| Intergovernmental | 56,886 | 0 | 206,403 | 263,289 |
| Charges for service | 260,856 | 0 | 0 | 260,856 |
| Special assessments | 0 | 0 | 13,230 | 13,230 |
| Miscellaneous | 62,864 | 29,286 | 12,277 | 104,427 |
| Total receipts | 984,260 | 32,586 | 732,495 | 1,749,341 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 507,587 | 0 | 84,266 | 591,853 |
| Public works | 160,317 | 0 | 245,093 | 405,410 |
| Health and social services | 5,715 | 0 | 213 | 5,928 |
| Culture and recreation | 338,965 | 0 | 79,830 | 418,795 |
| Community and economic development | 22,139 | 0 | 0 | 22,139 |
| General government | 327,520 | 0 | 29,549 | 357,069 |
| Debt service | 0 | 0 | 284,636 | 284,636 |
| Total disbursements | 1,362,243 | 0 | 723,587 | 2,085,830 |
| Excess (deficiency) of receipts over (under) disbursements | (377,983) | 32,586 | 8,908 | (336,489) |
| Other financing sources (uses): | | | | |
| Bond and note proceeds | 213,358 | 0 | 0 | 213,358 |
| Operating transfers in | 170,030 | 0 | 232,623 | 402,653 |
| Operating transfers out | (22,061) | 0 | (211,362) | (233,423) |
| Total other financing sources (uses) | 361,327 | 0 | 21,261 | 382,588 |
| Net change in cash balances | (16,656) | 32,586 | 30,169 | 46,099 |
| Cash balances beginning of year | 117,644 | 249,407 | 326,572 | 693,623 |
| Cash balances end of year | \$ 100,988 | 281,993 | 356,741 | 739,722 |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | \$ 0 | 0 | 40,514 | 40,514 |
| Unreserved: | | | | |
| General fund | 100,988 | 0 | 0 | 100,988 |
| Special revenue funds | 0 | 281,993 | 232,970 | 514,963 |
| Capital projects fund | 0 | 0 | 3,308 | 3,308 |
| Permanent fund | 0 | 0 | 79,949 | 79,949 |
| Total cash basis fund | \$ 100,988 | 281,993 | 356,741 | 739,722 |

See notes to financial statements.

CITY OF GUTTENBERG
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2007

Exhibit C

| | Enterprise Funds | | | | Internal Service Fund |
|--|-------------------------------------|-----------|----------|-----------|--------------------------|
| | Guttenberg Municipal Hospital | Electric | Nonmajor | Total | Payroll |
| Operating receipts: | | | | | |
| Charges for service | \$ 7,217,349 | 1,314,390 | 390,073 | 8,921,812 | 422,638 |
| Operating disbursements: | | | | | |
| Business type activities | 6,671,865 | 1,396,880 | 320,829 | 8,389,574 | 424,569 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 545,484 | (82,490) | 69,244 | 532,238 | (1,931) |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 95,106 | 5,607 | 2,388 | 103,101 | 0 |
| Miscellaneous | 34,798 | (769) | 696 | 34,725 | 0 |
| Debt service | (197,724) | 0 | 0 | (197,724) | 0 |
| Total non-operating receipts (disbursements) | (67,820) | 4,838 | 3,084 | (59,898) | 0 |
| Excess (deficiency) of receipts over (under) disbursements | 477,664 | (77,652) | 72,328 | 472,340 | (1,931) |
| Operating transfers in | 0 | 63,550 | 0 | 63,550 | 0 |
| Operating transfers out | 0 | (161,530) | (71,250) | (232,780) | 0 |
| Net change in cash balances | 477,664 | (175,632) | 1,078 | 303,110 | (1,931) |
| Cash balances beginning of year | 2,576,750 | 81,385 | 184,619 | 2,842,754 | 27,623 |
| Cash balances end of year | \$ 3,054,414 | (94,247) | 185,697 | 3,145,864 | 25,692 |
| Cash Basis Fund Balances | \$ 946,255 | 0 | 0 | 946,255 | 0 |
| Reserved for debt service | 2,108,159 | (94,247) | 185,697 | 2,199,609 | 25,692 |
| Unreserved | \$ 3,054,414 | (94,247) | 185,697 | 3,145,864 | 25,692 |
| Total cash basis fund balances | | | | | |

See notes to financial statements.

CITY OF GUTTENBERG
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2007

| | |
|--|--------------|
| Total enterprise funds cash balances (page 16) | \$ 3,145,864 |
|--|--------------|

Amounts reported for business type activities in the
 Statement of Activities are different because:

The Internal Service Fund is used by management
 to charge the costs of payroll to individual funds.
 The assets of the Internal Service Fund are included
 in business type activities in the Statement of
 Net Assets

25,692

| | |
|---|---------------------|
| Cash basis net assets of business type activities (page 14) | <u>\$ 3,171,556</u> |
|---|---------------------|

| | |
|---------------------------------------|------------|
| Net change in cash balances (page 16) | \$ 303,110 |
|---------------------------------------|------------|

Amounts reported for business type activities in the
 Statement of Activities and Net Assets are different
 because:

The Internal Service Fund is used by management
 to charge the costs of payroll to individual funds.
 The change in net assets of the Internal Service
 Fund is reported with business type activities

(1,931)

| | |
|--|-------------------|
| Change in cash balance of business type activities (page 14) | <u>\$ 301,179</u> |
|--|-------------------|

See notes to financial statements.

CITY OF GUTTENBERG

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Guttenberg is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides hospital services, electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Guttenberg has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

The Guttenberg Municipal Hospital is considered to be part of the primary government and, therefore, the financial information for the Guttenberg Municipal Hospital is included in the City's financial statements. The financial activities of the Guttenberg Municipal Hospital are reflected in this report as an Enterprise Fund. Certain disclosures about the Guttenberg Municipal Hospital are not included because the Guttenberg Municipal Hospital

has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Guttenberg Municipal Hospital; 200 Main St.; P.O. Box 550; Guttenberg, Iowa 52052.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Agency, Clayton County Joint E911 Service Board, Clayton County Solid Waste Management Commission and Clayton County Communications Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function

and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Revolving Loan Fund is used to account for the receipts from revolving loan proceeds collected from customers to help stimulate economic development in the area.

The City reports the following major proprietary funds:

The Guttenberg Municipal Hospital Fund is used to account for the operations and maintenance of the Guttenberg Municipal Hospital.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The City also reports the following additional proprietary fund:

An internal service fund is to account for services provided by one department of the City and provided to other departments on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Guttenberg maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds

in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the public works and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. In addition, the Hospital is also authorized to invest in common stocks.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended

in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk - The Hospital's investments are categorized to give an indication of the level of risk assumed by the Hospital at year end. The Hospital's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the Hospital or its agent in the Hospital's name. The Hospital had no investments as defined by Governmental Accounting Standards Board Statement 3 at June 30, 2007.

At June 30, 2007, the Hospital's carrying amounts of cash and deposits are as follows:

| | |
|--------------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,968,026 |
| Savings accounts | 179,638 |
| Certificates of deposit | 252,701 |
| Equity securities - common stock | 637,394 |
| Beneficial interest in net assets of | |
| Community Foundation | 12,031 |
| Interest receivable | <u>4,624</u> |
| Cash basis fund balance= | |
| Guttenberg Municipal Hospital | <u>\$ 3,054,414</u> |

Cost and fair value of the marketable equity securities at June 30, 2007, is as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--------------------|-------------------|------------------------------|-------------------------------|-----------------|
| Available-for-sale | | | | |
| Equity securities | <u>\$ 617,767</u> | <u>19,627</u> | <u>—</u> | <u>637,394.</u> |

There were no net realized gains (losses) on sale of securities available-for-sale.

(3) Beneficial Interest in Net Assets of Community Foundation

During 2007, the Hospital became a beneficiary of a Community Foundation maintained by an independent trustee. The assets maintained by the Community Foundation are to be held in perpetuity. The Hospital expects to receive annual distributions of its share of the Community Foundation's income. These distributions are recorded in the financial statements as investment income. The funds which have been invested directly

by Guttenberg Municipal Hospital are recognized in the financial statements as a beneficial interest in net assets of the Community Foundation at the fair market value of the Hospital's interest in the Foundation. These funds amount to \$ 12,031 at June 30, 2007.

(4) Notes and Interfund Loans Payable

Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------|------------------|
| 2008 | \$ 220,241 | 71,307 | 291,548 |
| 2009 | 223,053 | 61,499 | 284,552 |
| 2010 | 229,361 | 51,226 | 280,587 |
| 2011 | 234,519 | 40,385 | 274,904 |
| 2012 | 226,986 | 29,193 | 256,179 |
| 2013-2017 | 425,023 | 43,398 | 468,421 |
| Total | <u>\$ 1,559,183</u> | <u>297,008</u> | <u>1,856,191</u> |

Interfund Loans

During the year ended June 30, 2007, the Enterprise, Electric Fund loaned \$ 285,000 to the Special Revenue, Urban Renewal Tax Increment Fund. The loans bear interest at 5%. The balance of said loans at June 30, 2007, was \$ 235,000.

Guttenberg Municipal Hospital Debt:

A schedule of long-term debt obligations at June 30, 2007 for the Guttenberg Municipal Hospital is as follows:

| | <u>Amount</u> |
|---|---------------------|
| Health Center Revenue Bonds, Series 1998A | \$ 1,194,354 |
| Health Center Revenue Bonds | <u>682,956</u> |
| Total | <u>\$ 1,877,310</u> |

The Health Center Revenue Bonds, Series 1998A require monthly payments of principal and interest with current interest at the rate of 4.07%. The interest rate is variable.

The Health Center Revenue Bonds require monthly payments of principal and interest with the current interest at a rate of 4.02%. The interest is variable.

Long-term debt maturities are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2008 | 123,725 | 74,000 | 197,725 |
| 2009 | 128,974 | 68,751 | 197,725 |
| 2010 | 134,305 | 63,420 | 197,725 |
| 2011 | 139,856 | 57,869 | 197,725 |
| 2012 | 145,637 | 52,088 | 197,725 |
| 2013-2017 | 823,620 | 165,000 | 988,620 |
| 2018-2020 | 381,193 | 16,598 | 397,791 |
| | <u>\$ 1,877,310</u> | <u>\$ 497,726</u> | <u>\$ 2,375,036</u> |

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefits pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$ 192,832, equal to the required contribution for the year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave hours payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Comp time and floating holiday | \$ 4,000 |
| Vacation | 38,000 |
| Sick leave | <u>39,000</u> |
| Total | <u>\$ 81,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) Leases

The Hospital leases certain equipment under non-cancellable operating lease agreements. Minimum monthly payments of \$ 2,816 and quarterly payments of \$ 35,520 are required until the leases expire in fiscal year 2011. The rental expense for the operating leases for the year ended June 30, 2007 was \$ 175,876.

Minimum future lease payments for operating leases are as follows:

| <u>Year Ending June 30,</u> | |
|------------------------------|-------------------|
| 2008 | \$ 175,876 |
| 2009 | 175,876 |
| 2010 | 175,876 |
| 2011 | <u>167,427</u> |
| Total minimum lease payments | <u>\$ 695,055</u> |

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-----------------------------|-------------------|
| General | Enterprise | |
| | Electric | \$ 161,530 |
| | Water | 3,000 |
| | Sewer | <u>5,500</u> |
| | | <u>170,030</u> |
| Debt Service | General | 22,061 |
| | Special Revenue: | |
| | Local Option Sales Tax | 125,120 |
| | Urban Renewal Tax Increment | 22,692 |
| | Enterprise: | |
| | Water | <u>62,750</u> |
| | | <u>232,623</u> |
| Enterprise: | Special Revenue: | |
| Electric | Road Use Tax | 10,000 |
| | Urban Renewal Tax Increment | <u>53,550</u> |
| | | <u>63,550</u> |
| Total | | <u>\$ 466,203</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$ 4,111 during the year ended June 30, 2007.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balances

The Enterprise, Electric Fund had a deficit balance of \$ 94,247 at June 30, 2007. The Electric Fund has outstanding loans of \$ 235,000 to the Special Revenue, Urban Renewal Tax Increment Fund. Therefore, this deficit will be eliminated with future tax increment financing collections.

(12) Guttenberg Economic and Industrial Development Committee Loan Repayment

In July 1999, the City entered into an agreement with the Guttenberg Economic and Industrial Development Committee (GEIDC). Under the agreement GEIDC will return the revolving loan funds of \$ 435,000 to the City. An initial payment of \$ 100,000 was received and the balance is scheduled to be received over a 13 year period with monthly payments of \$ 2,440, including 2% per annum interest. For the year ended June 30, 2007, payments of \$ 29,286 were received, leaving an unpaid balance of \$ 145,837.

(13) Contingencies

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$ 1 million per claim and an annual aggregate limit of \$ 3 million. Should the claims-made policy

not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

(14) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2007 was as follows:

| | <u>2007</u> |
|---------------------------------------|-------------|
| Medicare | 36% |
| Medicaid | 4 |
| Commercial and other insurance | 39 |
| Other third-party payors and patients | <u>21</u> |
| | <u>100%</u> |

(15) Member Share of 28E Organization Net Assets

The City entered into a 28E agreement with the Guttenberg Municipal Hospital to form Kids Kampus Community Childcare (Kids Kampus). Kids Kampus was formed to provide a full service child day care center for the benefit of all of the members of the community served by the Hospital and the City. The effective date

of the agreement was June 1, 2006. The agreement called for the transfer of the building used by Kids Kampus from the Hospital at a transfer cost of \$ 1. The Hospital owns the land on which the building resides. In the event Kids Kampus no longer has need of the building for the purpose of providing childcare services, the Hospital maintains the right of first refusal and will regain the building for the same transfer price of \$ 1.

The Hospital has also agreed to provide Kids Kampus charitable donations not to exceed the following amounts over the next two years:

| | |
|------|-----------|
| 2008 | \$ 30,000 |
| 2009 | 20,000 |

(16) Subsequent Events

On July 2, 2007, the City awarded a contract for the improvement of the Great River Road for \$ 324,672 and approved the purchase of a used ambulance for \$ 101,460.

On November 5, 2007, the City approved the issuance of \$ 450,000 of general obligation debt to finance a portion of the Great River Road project, the ambulance purchase and the repayment of the \$ 183,358 loan anticipation notes.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GUTTENBERG
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007

| | Governmental Funds Actual | Proprietary Funds Actual | Less | | Total | Budgeted Amounts | | Final to Total Variance |
|---|---------------------------------|--------------------------------|---|---|-------------------|-------------------|-------------------|-------------------------------|
| | | | Funds not Required to be Budgeted | Funds not Required to be Budgeted | | Original | Final | |
| Receipts: | | | | | | | | |
| Property tax | \$ 810,788 | 0 | 0 | 0 | 810,788 | 792,663 | 792,663 | 18,105 |
| Tax increment financing | | | | | | | | |
| collections | 73,141 | 0 | 0 | 0 | 73,141 | 70,046 | 70,046 | 3,095 |
| Other city tax | 178,067 | 0 | 0 | 0 | 178,067 | 147,545 | 147,545 | 30,522 |
| Licenses and permits | 8,443 | 0 | 0 | 0 | 8,443 | 18,830 | 18,830 | (10,387) |
| Use of money and property | 37,100 | 103,101 | 0 | 0 | 140,201 | 29,560 | 29,560 | 110,641 |
| Intergovernmental | 263,289 | 0 | 0 | 0 | 263,289 | 1,241,720 | 1,241,720 | (978,431) |
| Charges for service | 260,856 | 9,344,450 | 422,638 | 0 | 9,182,668 | 9,260,256 | 9,260,256 | (77,588) |
| Special assessments | 13,230 | 0 | 0 | 0 | 13,230 | 8,600 | 8,600 | 4,630 |
| Miscellaneous | 104,427 | 38,904 | 0 | 0 | 143,331 | 883,150 | 883,150 | (739,819) |
| Total receipts | 1,749,341 | 9,486,455 | 422,638 | 0 | 10,813,158 | 12,452,390 | 12,452,390 | (1,639,232) |
| Disbursements: | | | | | | | | |
| Public safety | 591,853 | 0 | 0 | 0 | 591,853 | 657,466 | 712,466 | 120,613 |
| Public works | 405,410 | 0 | 0 | 0 | 405,410 | 388,750 | 402,400 | (3,010) |
| Health and social service | 5,928 | 0 | 0 | 0 | 5,928 | 6,324 | 6,324 | 396 |
| Culture and recreation | 418,795 | 0 | 0 | 0 | 418,795 | 408,904 | 458,904 | 40,109 |
| Community and economic development | 22,139 | 0 | 0 | 0 | 22,139 | 321,981 | 321,981 | 299,842 |
| General government | 357,069 | 0 | 0 | 0 | 357,069 | 192,120 | 353,470 | (3,599) |
| Debt service | 284,636 | 0 | 0 | 0 | 284,636 | 314,389 | 314,389 | 29,753 |
| Capital projects | 0 | 0 | 0 | 0 | 0 | 1,740,000 | 1,740,000 | 1,740,000 |
| Business type activities | 0 | 9,016,046 | 424,569 | 0 | 8,591,477 | 9,647,871 | 9,647,871 | 1,056,394 |
| Total disbursements | 2,085,830 | 9,016,046 | 424,569 | 0 | 10,677,307 | 13,677,805 | 13,957,805 | 3,280,498 |
| Excess (deficiency) of receipts over (under) disbursements | (336,489) | 470,409 | (1,931) | (1,931) | 135,851 | (1,225,415) | (1,505,415) | 1,641,266 |
| Other financing sources, net | 382,588 | (169,230) | 0 | 0 | 213,358 | 1,228,000 | 1,508,000 | (1,294,642) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 46,099 | 301,179 | (1,931) | (1,931) | 349,209 | 2,585 | 2,585 | 346,624 |
| Balances beginning of year | 693,623 | 2,870,377 | 27,623 | 27,623 | 3,536,377 | 4,192,837 | 4,192,837 | (656,460) |
| Balances end of year | \$ 739,722 | \$ 3,171,556 | \$ 25,692 | \$ 25,692 | \$ 3,885,586 | \$ 4,195,422 | \$ 4,195,422 | \$ (309,836) |

See accompanying independent auditor's report.

CITY OF GUTTENBERG

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 280,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works and general government functions.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF CUTTENBERG
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2007

| | Special Revenue | | | | | | | | | | Permanent Cemetery | Total |
|---|-----------------|-------------------|------------------------|-----------------------------|---------------|----------|--------------|------------------|----------------|------------|--------------------|-------|
| | Road Use Tax | Employee Benefits | Local Option Sales Tax | Urban Renewal Tax Increment | Library Trust | Other | Debt Service | Capital Projects | Perpetual Care | | | |
| Receipts: | | | | | | | | | | | | |
| Property tax | 0 | 216,790 | 0 | 0 | 0 | 0 | 64,355 | 0 | 0 | 0 | 281,145 | |
| Tax increment financing | 0 | 0 | 0 | 73,141 | 0 | 0 | 0 | 0 | 0 | 0 | 73,141 | |
| Other city tax | 0 | 3,505 | 139,872 | 0 | 0 | 0 | 1,000 | 0 | 0 | 0 | 144,377 | |
| Use of money and property | 0 | 225 | 1,099 | 593 | 0 | 0 | 5 | 0 | 0 | 0 | 1,922 | |
| Intergovernmental | 165,606 | 0 | 0 | 0 | 0 | 0 | 0 | 40,797 | 0 | 0 | 206,403 | |
| Special assessments | 0 | 0 | 13,230 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,230 | |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 227 | 0 | 10,925 | 0 | 1,125 | 12,277 | |
| Total receipts | 165,606 | 220,520 | 154,201 | 73,734 | 0 | 227 | 65,360 | 51,722 | 1,125 | 732,495 | | |
| Disbursements: | | | | | | | | | | | | |
| Operating: | | | | | | | | | | | | |
| Public safety | 0 | 84,266 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 84,266 | |
| Public works | 185,652 | 45,791 | 13,650 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 245,093 | |
| Health and social services | 0 | 0 | 0 | 0 | 0 | 213 | 0 | 0 | 0 | 0 | 213 | |
| Culture and recreation | 0 | 18,169 | 0 | 0 | 0 | 0 | 0 | 61,661 | 0 | 0 | 79,830 | |
| General government | 0 | 29,549 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29,549 | |
| Debt service | 0 | 0 | 0 | 0 | 0 | 0 | 284,636 | 0 | 0 | 0 | 284,636 | |
| Total disbursements | 185,652 | 177,775 | 13,650 | 0 | 0 | 213 | 284,636 | 61,661 | 0 | 723,587 | | |
| Excess (deficiency) of receipts over (under) disbursements | (20,046) | 42,745 | 140,551 | 73,734 | 0 | 14 | (219,276) | (9,939) | 1,125 | 8,908 | | |
| Other financing sources (uses): | | | | | | | | | | | | |
| Operating transfers in | 0 | 0 | 0 | 0 | 0 | 0 | 232,823 | 0 | 0 | 0 | 232,823 | |
| Operating transfers out | (19,000) | 0 | (125,120) | (76,242) | 0 | 0 | 0 | 0 | 0 | 0 | (211,362) | |
| Total other financing sources (uses) | (19,000) | 0 | (125,120) | (76,242) | 0 | 0 | 232,823 | 0 | 0 | 0 | 21,461 | |
| Net change in cash balances | (39,046) | 42,745 | 15,431 | (2,508) | 0 | 14 | 13,347 | (9,939) | 1,125 | 30,169 | | |
| Cash balances beginning of year | 43,287 | 18,186 | 81,991 | 47,314 | 14,952 | 1,604 | 27,167 | 13,247 | 78,824 | 826,572 | | |
| Cash balances end of year | \$ 13,241 | \$ 60,931 | \$ 97,422 | \$ 44,806 | \$ 14,952 | \$ 1,618 | \$ 40,514 | \$ 3,308 | \$ 79,949 | \$ 356,741 | | |
| Cash Basis Fund Balances | | | | | | | | | | | | |
| Reserved for debt service | \$ 0 | 0 | 0 | 0 | 0 | 0 | 40,514 | 0 | 0 | 0 | 40,514 | |
| Unreserved: | | | | | | | | | | | | |
| Special revenue funds | 13,241 | 60,931 | 97,422 | 44,806 | 14,952 | 1,618 | 0 | 0 | 0 | 0 | 232,970 | |
| Capital project fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,308 | 0 | 0 | 3,308 | |
| Permanent fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -79,949 | 79,949 | | |
| Total cash basis fund balances: | \$ 13,241 | \$ 60,931 | \$ 97,422 | \$ 44,806 | \$ 14,952 | \$ 1,618 | \$ 40,514 | \$ 3,308 | \$ 79,949 | \$ 356,741 | | |

See accompanying independent auditor's report.

CITY OF GUTTENBERG
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 As of and For the Year Ended June 30, 2007

| | Enterprise Funds | | |
|--|------------------|---------|----------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 220,328 | 169,745 | 390,073 |
| Operating disbursements: | | | |
| Business type activities | 156,814 | 164,015 | 320,829 |
| Excess of operating receipts over operating disbursements | 63,514 | 5,730 | 69,244 |
| Non-operating receipts: | | | |
| Interest on investments | 773 | 1,615 | 2,388 |
| Miscellaneous | 696 | 0 | 696 |
| Total non-operating receipts | 1,469 | 1,615 | 3,084 |
| Excess of receipts over disbursements | 64,983 | 7,345 | 72,328 |
| Operating transfers out | (65,750) | (5,500) | (71,250) |
| Net change in cash balances | (767) | 1,845 | 1,078 |
| Cash balances beginning of year | (4,477) | 189,096 | 184,619 |
| Cash balances end of year | \$ (5,244) | 190,941 | 185,697 |
| Cash Basis Fund Balances | | | |
| Unreserved | \$ (5,244) | 190,941 | 185,697 |

See accompanying independent auditor's report.

Schedule 3

CITY OF GUTTENBERG
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2007

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|---------------|----------------|--------------------------|---------------------------|--------------------|----------------------|---------------------|---------------|
| General obligation notes: | | | | | | | | |
| Urban renewal project | Jun 13, 1997 | 4.50% | \$ 105,000 | 77,468 | 0 | 5,416 | 72,052 | 3,825 |
| General corporate purpose | Jul 1, 2000 | 5.50-5.75 | 1,070,000 | 640,000 | 0 | 90,000 | 550,000 | 35,738 |
| Fire equipment | Jun 28, 2005 | 3.65 | 72,000 | 59,812 | 0 | 11,121 | 48,691 | 2,183 |
| Police equipment | Jun 29, 2005 | 3.50 | 25,000 | 16,614 | 0 | 8,174 | 8,440 | 581 |
| Water improvement and refunding | Nov 1, 2005 | 3.60-4.30 | 475,000 | 445,000 | 0 | 45,000 | 400,000 | 17,450 |
| General corporate project | Mar 15, 2006 | 3.80-4.30 | 490,000 | 490,000 | 0 | 40,000 | 450,000 | 19,730 |
| Police equipment | Oct 25, 2006 | 4.50 | 30,000 | 0 | 30,000 | 0 | 30,000 | 0 |
| Total | | | | \$ 1,728,894 | 30,000 | 199,711 | 1,559,183 | 79,507 |
| Loan anticipation note | | | | | | | | |
| General corporate | Var | 4.45% | \$ 183,358 | 0 | 183,358 | 0 | 183,358 | 0 |

See accompanying independent auditor's report.

Schedule 4

CITY OF GUTTENBERG
BOND AND NOTE MATURITIES
June 30, 2007

| Year Ending June 30, | General Obligation Notes | | | | | | | |
|----------------------------|--------------------------|------------------|------------------------------|-------------------|---------------------|------------------|---------------------|-----------------|
| | Urban Renewal Project | | General Corporate Purpose | | Fire Equipment | | Police Equipment | |
| | Issued Jun 13, 1997 | | Issued Jul 1, 2000 | | Issued Jun 29, 2005 | | Issued Jun 29, 2005 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2008 | 4.50% | \$ 5,843 | 5.50% | \$ 100,000 | 3.65% | \$ 11,527 | 3.50% | \$ 8,440 |
| 2009 | 4.50 | 6,117 | 5.55 | 105,000 | 3.65 | 11,948 | - | - |
| 2010 | 4.50 | 6,396 | 5.60 | 110,000 | 3.65 | 12,384 | - | - |
| 2011 | 4.50 | 6,687 | 5.65 | 115,000 | 3.65 | 12,832 | - | - |
| 2012 | 4.50 | 6,986 | 5.75 | 120,000 | - | - | - | - |
| 2013 | 4.50 | 7,309 | - | - | - | - | - | - |
| 2014 | 4.50 | 7,641 | - | - | - | - | - | - |
| 2015 | 4.50 | 7,989 | - | - | - | - | - | - |
| 2016 | 4.50 | 8,351 | - | - | - | - | - | - |
| 2017 | 4.50 | 8,733 | - | - | - | - | - | - |
| Total | | <u>\$ 72,052</u> | | <u>\$ 550,000</u> | | <u>\$ 48,691</u> | | <u>\$ 8,440</u> |

| Year Ending June 30, | General Obligation Notes | | | | | | | |
|----------------------------|------------------------------------|-------------------|------------------------------|-------------------|---------------------|------------------|--|------------------|
| | Water Improvement and Refunding | | General Corporate Purpose | | Police Equipment | | | |
| | Issued Nov 1, 2005 | | Issued Mar 15, 2006 | | Issued Oct 25, 2006 | | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | | Total |
| 2008 | 3.50% | \$ 45,000 | 3.80% | \$ 40,000 | 4.50% | \$ 9,431 | | 220,241 |
| 2009 | 3.70 | 45,000 | 3.85 | 45,000 | 4.50 | 9,988 | | 223,053 |
| 2010 | 3.80 | 45,000 | 3.90 | 45,000 | 4.50 | 10,581 | | 229,361 |
| 2011 | 3.90 | 50,000 | 3.95 | 50,000 | - | - | | 234,519 |
| 2012 | 4.00 | 50,000 | 4.05 | 50,000 | - | - | | 226,986 |
| 2013 | 4.10 | 55,000 | 4.10 | 50,000 | - | - | | 112,309 |
| 2014 | 4.20 | 55,000 | 4.15 | 55,000 | - | - | | 117,641 |
| 2015 | 4.30 | 55,000 | 4.20 | 55,000 | - | - | | 117,989 |
| 2016 | - | - | 4.30 | 60,000 | - | - | | 68,351 |
| 2017 | - | - | - | - | - | - | | 8,733 |
| Total | | <u>\$ 400,000</u> | | <u>\$ 450,000</u> | | <u>\$ 30,000</u> | | <u>1,559,183</u> |

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 28, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2006. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Guttenberg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Guttenberg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Guttenberg's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Guttenberg's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Guttenberg's financial statements that is more than inconsequential will not be prevented or detected by the City of Guttenberg's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Guttenberg's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guttenberg's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Guttenberg's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Guttenberg's responses and, accordingly, we express no opinions on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Guttenberg and other parties to whom the City of Guttenberg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Guttenberg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 28, 2007

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF GUTTENBERG
SCHEDULE OF FINDINGS
June 30, 2007

- (1) Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public works and general government functions. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Although we amended the budget, amounts in the two listed functions were not increased enough. We will take more care when amending the budget in the future.

Conclusion - Response accepted.

- (2) Questionable Disbursements - No disbursements that may not meet the requirements of a public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business Transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|---|---------------------------------------|----------|
| Robert Hartmann, City Employee, Owner of River Valley Communications | Labor, parts, supplies | \$ 1,349 |
| Carol Hartmann, City Employee, Husband owns John's TV | Supplies, transient lodging | 79 |
| Julie Zittergruen, Deputy Clerk/Acting City Manager, brother owns Fassbinder Small Engines | Equipment, repairs parts and labor | 2,683 |

The transactions with River Valley Communications and John's TV do not represent conflicts of interest in accordance with Chapter 362.5(11) of the Code of Iowa because the cumulative total during the fiscal year was less than \$ 2,500. The transactions with Fassbinder Small Engines may represent a conflict of interest since the total cumulative transactions were greater than \$ 2,500.

Recommendation - The City should consult legal counsel to determine the disposition of the payments made to Fassbinder Small Engines.

Response - We will consult with legal counsel.

Conclusion - Response accepted.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment were noted.
- (8) Financial Condition - The Enterprise, Electric Fund had a deficit balance of \$ 94,247 at June 30, 2007.

Recommendation - The City should evaluate the reasons for the deficit and investigate alternatives to eliminate the deficit balance in order to return the Enterprise, Electric Fund to a sound financial position.

Response - The Enterprise, Electric Fund has an outstanding loan to the Special Revenue, Urban Renewal Tax Increment Fund of \$ 235,000. Repayment of this loan would return the Enterprise, Electric Fund to a positive balance. Repayment of the loan will occur as tax increment financing collections are received.

Conclusion - Response accepted.